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FM AMEMBASSY JAKARTA

TO RUEHC/SECSTATE WASHDC PRIORITY 0797

INFO RUEHZS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS PRIORITY

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RUEHBY/AMEMBASSY CANBERRA 3331

RUEHUL/AMEMBASSY SEOUL 5164

RUEHNE/AMEMBASSY NEW DELHI 2460

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C O N F I D E N T I A L SECTION 01 OF 04 JAKARTA 002157

SIPDIS

DEPT FOR EAP, EAP/MTS, EAP/MLS
NSC FOR EPHU

E.O. 12958: DECL: 11/24/2018

TAGS: PGOV KDEM KISL ID

SUBJECT: 2009 ELECTIONS LANDSCAPE: YUDHOYONO, MEGAWATI
LEAD FIELD

REF: A. JAKARTA 1995

1B. JAKARTA 1939

1C. JAKARTA 1441

1D. JAKARTA 1377

Classified By: Ambassador Cameron R. Hume, reasons 1.4 (b+d).

11. (C) SUMMARY: Most bets are still on President Yudhoyono to be re-elected in the 2009 elections with recent polls indicating that he has regained his lead. However, the state of the economy, the Yudhoyono administration's ability to maintain his clean image, and his management of a fractious cabinet, will be key factors in his re-election effort. The new election law likely will limit the number of presidential candidates to the strongest three contenders: former president Megawati, a candidate from the largest party Golkar (should Golkar split from Yudhoyono), and Yudhoyono. If Yudhoyono underperforms in the April 2009 legislative elections, Golkar would run its own candidate, forcing Yudhoyono team up with the smaller Muslim-based parties to get on the presidential ballot.

12. (C) SUMMARY (Con'd): Yudhoyono's biggest challenger remains former president Megawati and the wildcard is the Sultan of Yogyakarta. The rest are dark horses. Approaching the April 2009 legislative and July presidential elections, Indonesia already is moving slowly and surely into an all-consuming electoral mode. This focus will impact on the GOI's decisions affecting the U.S. on trade and other bilateral issues. For the longer term, Yudhoyono's performance will determine the country's pace of reform. END SUMMARY.

PRESIDENT REBOUNDS

13. (C) New rules for Indonesia's presidential elections require parties to win at least 20 percent of the seats in Parliament or 25 percent of the total vote in the April 2009 legislative elections in order to nominate candidates for the July 2009 presidential election. This high threshold means that no more than three candidates likely will qualify.

14. (C) President Yudhoyono aims to be one of them. His

political standing has been buoyed by recent polls which show a rebound in public approval from 45 percent in June to 62 percent in November, which puts him on par with the apex of his popularity when he was first elected in 2004. He enjoyed an eight percent popularity lead over Megawati in a November poll after trailing by that much after the May decision to raise fuel prices.

¶ 15. (C) While Yudhoyono is criticized for doing little to build his Partai Demokrat (PD), one reliable November poll shows PD support is up to 16.8 percent of voters. (Note: PD received only 7.5 percent of the vote and 10.3 percent of seats in the 2004 legislative elections.) Political pundits agree that there are several clear roads to a Yudhoyono victory in the July 2009 election (or a September run-off should he fail to garner 50 percent in the first round), and that makes him formidable. First, if PD can gain 20 percent of the legislative seats Yudhoyono would not need a coalition to run. Second, he could stay with Golkar for a strong coalition. Third, he could team up with smaller Islamic parties--moderate and/or conservative ones.

POTENTIAL ROADBLOCKS

¶ 16. (C) Yudhoyono gets high marks from the electorate for domestic security, rule-of-law and integrity (ref D), but economic challenges will test his popularity. His current rise in the polls is due the popularity of his anti-corruption drive and leadership qualities, which include steadiness in handling the financial crisis. Yudhoyono can

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also brag about a six percent annual economic growth during his administration, double that of the previous five years. Official statistics indicate that unemployment and poverty were down as of early 2008.

¶ 17. (C) The economic news, however, is worsening. Unemployment due to manufacturing lay-offs has increased recently. Plummeting commodity prices and falling investment in palm oil plantations are seriously affecting the economy. Furthermore, with inflation at almost 12 percent, only 25 percent of Indonesians believe they are better off now than a year ago. The value of the rupiah has dropped 20 percent in the past few weeks and stocks are down 58 percent from January highs. Thus, Yudhoyono's ability to manage the financial crisis and to relieve people's suffering will be a tipping point. On the plus side, lower oil prices allowed him to lower premium gasoline prices effective in December even as the sting from the May hikes subsides (these hikes hurt his popularity at the time). His direct cash subsidies to poor people and central funding to provide school fee assistance for children has had some trickle down effect. That said, if the Indonesian economy slumps in coming months, Yudhoyono could prove vulnerable.

CLEAN REPUTATION IS CRUCIAL

¶ 18. (C) Observers also unanimously agree that so far Yudhoyono and his immediate family have steered clear of serious corruption. His refusal to protect his father-in-law Aulia Pohan in the face of corruption charges burnished his already shining image. Under Yudhoyono, the GOI has convicted for corruption seven members of Parliament, two ministers, five governors and many other high ranking officials. His popularity is so interwoven with his clean image that any credible allegations against him would be fatal. How he manages a fractious cabinet--some of whom are linked to corruption or are undermining his administration--will be another big factor in how Yudhoyono is perceived both in terms of carrying out his reform agenda and in upholding clean government (see septel).

¶ 19. (C) Vice President Jusuf Kalla is likely to repeat as running mate, providing Yudhoyono a strong coalition of perhaps 20-30 percent of DPR seats, plus financial backing.

Golkar's support is key for Yudhoyono: in addition to PD, he needs Golkar support in order to get on the ballot or he may have to ally himself with Islamic-oriented parties. Still, Golkar has said it will make a run on its own if does well enough in the legislative elections. Many nevertheless discount Golkar's chances (ref B). Its stultified party structure is unresponsive to the electorate and it has faired poorly in local direct elections. Golkar might fall short of 20 percent of the vote in 2009 legislative elections (in 2004 Golkar got 22.6 percent of the vote and 23.3 percent of seats).

MEGAWATI, FADING BUT ALWAYS A FACTOR

¶10. (C) Megawati's popularity is flagging despite hard campaigning. Her husband's corrupt reputation also taints her, as do allegations of corruption within her party, the Indonesian Democratic Party of Struggle (PDI-P). PDI-P is falling in popularity, down by 10 points since June to only 14.2 percent. Still, her core constituency among secular nationalists in Java and Bali is strong, and she has a populist reputation as a leader who cares about the common people. (Note: PDI-P garnered 19 percent of the vote and 20 percent of seats in 2004.) She also has strong financial backing, has the support of PDI-P's strong grassroots networks, and comes from a formidable political family (her deceased father, Sukarno, is a national hero). PDI-P is split on whether Megawati's running mate should be a secularist who appeals to a core constituency or a

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conservative Muslim who would appeal to other Muslims. Many believe that Megawati has a shot at getting a plurality in the first round but that Yudhoyono would trounce her in a subsequent two-way run-off.

SULTAN IS THE WILD CARD

¶11. (C) Of the ten potential Golkar presidential candidates, Sultan Hamengkubuwono of Yogyakarta is the most popular, (ref A). Hemengkubuwono poses a challenge to Yudhoyono and Kalla both. If the Sultan were to win Golkar backing, the Yudhoyono/Kalla ticket would no longer be backed by Golkar. Thus, Kalla is fighting hard to keep the Sultan from gaining Golkar support. If Golkar eschews the Sultan, he could form a coalition with smaller, non-Muslim parties (or accept a vice presidential candidacy slot with Megawati, etc.) Whether or not Golkar stays with Yudhoyono will depend largely on whether it exceeds expectations in national legislative elections (Golkar's popularity has fallen 4 percent since June, to only 15.9 percent). The only other Golkar candidates who can compete strongly with the Sultan for the Golkar nomination are: former Golkar chair/DPR Speaker Akbar Tanjung, who has power within the party but is not an effective communicator; or the current DPR Speaker Agung Laksono.

¶12. (C) The Sultan is running a distant fifth in popularity (four percent) among top candidates but is very popular in Central Java. He only announced his candidacy in October and is running an aggressive national campaign, so observers are waiting to see if he picks up momentum. He suffers, however, from lack of charisma and vision. Also, his secular worldview will cost him conservative Muslim votes.

SOME DARK HORSES

¶13. (C) As for the other Presidential candidates, former General Wiranto (currently 6 percent popularity) of Hanura Party and former General Probowo Subianto (5 percent popularity) of Gerindra Party, have little chance of success. They are possible running mates but have slim chances of meeting the 20/25 percent thresholds.

¶14. (C) Wiranto is well financed and has strong backing among urban youth. He was Golkar's presidential nominee in 2004

and came in third with 22.2 percent of the vote. However, in 2003 he was accused by the Serious Crimes Unit in Timor-Leste of crimes against humanity for events related to the 1999 violence by Indonesian armed forces in East Timor. Most Indonesians believe that his election would end Indonesia's reform. Plus, he has little charisma (although he can sing, a big asset).

¶15. (C) The richest candidate Prabowo has a war chest of \$50 million from a brother, Hashim Djojohadikusumo, who struck it rich on Kazakhstan oil. Prabowo is blitzing the country with ads, has some charisma, and has support among small farmers and traders. However, his direct links with gross human rights violations under Suharto make him a poison pill for many Indonesians. (Note: His protege and the chair of his party Muchdi Purwopranjono is on trial for murdering human rights activist Munir.)

THE ISLAMIC CARD

¶16. (C) Yudhoyono has been widely criticized for yielding to Muslim conservatives in order to keep his coalition together.

For example, Yudhoyono recently caved in on the decree banning activities by the Islamic sect Ahmadiyah as well as to the passage of the anti-pornography law. Yudhoyono's closest advisers said he strongly factors in the "Islamic math" of the 2009 elections in making these decisions. If his alliance with Golkar fails, he might need the smaller

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Muslim parties to win, particularly the conservative Prosperous Justice Party (PKS). He also could pair, however, with the two moderate Muslim-based parties, National Awakening Party (PKB, currently 4.6 percent popularity) and National Mandate Party (PAN, 3.2 percent popularity).

¶17. (SBU) PKB and PAN together received about 17 percent of the vote in 2004 but their popularity has since fallen. Other Muslim parties with a conservative Islamic agenda got only 21 percent combined in 2004. PKS, despite a rapid rise in popularity in the 2004 elections and a subsequent string of local election victories, seems to have stagnated at about 4.9 percent popularity as of November. (Note: PKS surprised everyone by getting 8.2 percent of the vote and 7.3 percent of the seats in 2004.) Historically, Islamic-oriented parties compete for the same limited piece of the electoral pie and they rarely go over that level.

LOOKING TOWARD 2009

¶18. (C) Analysts expect the government, never efficient, to grind to a halt from January to July 2009 as politicians focus on winning elections rather than governing. Also, election seasons are always volatile in Indonesia (though not particularly violence-filled). While Yudhoyono's steady hand will remain hard to beat in 2009, a popular sentiment prevails of economic problems and an out-of-touch political elite. That could hurt Yudhoyono, who sometimes seems overly placid and can be indecisive, especially if the international economic situation continues its downward slide. For the next five years, a strong showing by Yudhoyono would present the best prospect for Indonesia picking up the pace of its reform agenda.

HUME